Amendments to the Claims:

The listing of claims will replace all prior versions, and listings, of claims in the application:

Listing of claims:

1. (original) A method of adjudicating a transaction for payment from a participant account, said participant account having an amount available for expenditure, comprising:

initiating a transaction, said transaction having a value;

screening said transaction based upon a first set of criteria;

posting an amount relating to said value to a holding account;

reducing the amount available for expenditure in the participant account; and,

adjudicating said transaction, wherein upon approval of the transaction, said amount posted to the holding account is released and posted to the participant account and the amount available for expenditure is reduced.

2. (original) The method of claim 1 wherein the participant account is a Flexible Spending Account.

3. (original) The method of claim 1 wherein the amount available for expenditure is pre-determined.

4. (original) The method of claim 1 wherein the transaction comprises an exchange of payment for qualified medical expense.

5. (original) The method of claim 1 wherein the initiating step is a point-of-sale purchase with a debit-card.

6. (original) The method of claim 1 wherein the holding account is a sponsor shadow account.

7. (original) The method of claim 1 wherein said adjudicating step utilizes pre-selected criteria.

8. (original) The method of claim 7 wherein approval of the transaction is based upon the transaction complying with said pre-selected criteria.

9. (original) The method of claim 1 further comprising after the adjudicating step, payment of the amount posted to the participant account to a sponsor group account.

10. (original) The method of claim 1 wherein the adjudicating step further comprises, upon rejection of the transaction, said amount posted to the holding account is released and posted to a sponsor suspense account and the amount available for expenditure in the participant account is restored.

11. (original) The method of claim 1 wherein said first set of criteria includes merchant category codes.

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cont

12. (original) The method of claim 5, wherein said debit-card is tied to said participant account.

13. (original) A method of adjudicating a transaction prior to posting said transaction to a participant's flexible spending account comprising:

initiating a transaction, wherein the participant receives goods or services from a provider;

screening said transaction by a merchant category code associated with said provider;

determining said merchant category code to be qualified;

paying said provider from a sponsor group account, said sponsor group account relating to a plurality of participant flexible spending accounts;

posting said transaction to a sponsor shadow account;

submitting said transaction to adjudication;

adjudicating said transaction approved; and

posting said transaction to the participant's flexible spending account.

14. (original) The method of claim 13, wherein said transaction is comprised of participant identifying data, provider

identifying data, a transactional amount, and transactional descriptive data.

15. (original) The method of claim 14, wherein said transactional descriptive data includes sufficient information to determine if the transaction was for a qualified medical expense.

16. (original) A system for adjudicating payment from a participant cardholder's account, comprising:

an application processor, wherein said application processor is adapted to send electronic communications to and receive electronic communications from at least one network service provider and at least one third party processor; and

at least one database in electronic communication with said application processor, wherein said at least one database includes information corresponding to a sponsor group account and information corresponding to a sponsor shadow account.

17. (original) The system of claim 16, wherein said application processor is adapted to adjudicate a received transaction request, further wherein said application processor is adapted to update said information corresponding to a program sponsor shadow account prior to adjudication.

18. (original) The system of claim 16, wherein said application processor is adapted to initiate sponsor accounts

responsive to communications received from said at least one third party processor.

19. (original) The system of claim 16, wherein said third party processor is a computer associated with a qualified medical service provider.

20. (original) The system of claim 16, wherein said network service provider is a debit-card service host.

21. (original) The system of claim 16, wherein said application processor and said at least one database are a part of a mainframe computer.

22. (original) The system of claim 16, wherein said electronic communications to and from said at least one network service provider and said at least one third party processor utilize a communications methodology selected from the group consisting of : the internet; RJE dial-up; FTP; EDI; and Direct Connect.

23. (original) A system for adjudicating payment from a participant cardholder account having an amount available for expenditure prior to debiting the participant account, comprising:

a program sponsor group account corresponding to a plurality of participant accounts;

a program sponsor shadow account corresponding to said program sponsor group account;

means for posting a debit to the program sponsor shadow account in an amount relating to a transactional value of services provided to said participant by a service provider;

means for adjusting the amount available for expenditure in the participant account in an amount relating to the transactional value such that the amount available for expenditure in the participant account is unavailable for subsequent expenditure pending adjudication;

means for debiting the program sponsor group account in an amount equal to a summation of debits posted to the plurality of participant accounts;

means for paying the service provider for services provided to the participant;

means for reviewing the debit to the in the participant account for adjudication, wherein upon a finding of propriety, the debit is posted to the participant account and the amount available for expenditure in the participant account is adjusted accordingly; and

means for reviewing the debit to the in the participant account for adjudication, wherein upon a finding of impropriety the amount available for expenditure in the participant account is adjusted accordingly and the debit previously posted to the program sponsor group account is restored.

24. (new) The method of claim 1 wherein the participant account is an account authorized for payment of approved medical expenses.

25. (new) The method of claim 1 wherein the initiating step is a request for payment.

26. (new) The method of claim 25 wherein the request for payment is selected from the group consisting of an out of pocket payment, a point of sale purchase with a debit card and the transmission of a transaction file or database of claims.

27. (new) The method of claim 1 wherein said payment and adjudicated transaction is related to said participant account.

28. (new) The method of claim 13 wherein said screening further includes determining that the transaction has been adjudicated by the provider from a selected set of criteria.

29. (new) The method of claim 13 wherein prior to posting of said transaction, the goods or services provider is notified of the posted amount.

30. (new) The method of claim 29 wherein the notification is provided prior to the delivery of goods or services to the participant.

31. (new) A system for adjudicating payment from a participant balance, comprising:

an application processor, wherein said application processor is adapted to send electronic communications to and receive electronic communications from at least one network service provider and at least one third party processor; and

at least one database in electronic communication with said application processor, wherein said at least one database includes information corresponding to a sponsor group account and information corresponding to a sponsor shadow account.

32. (new) A system for adjudicating payment for a transaction from a participant balance having an amount available for expenditure prior to debiting the participant account, comprising:

a program sponsor group account corresponding to a plurality of participant accounts;

a program sponsor shadow account corresponding to said program sponsor group account;

means for posting a debit to the program sponsor shadow account in an amount relating to a transactional value of services provided to said participant by a service provider;

means for adjusting the amount available for expenditure in the participant account in an amount relating to the transactional value such that the amount available for

expenditure in the participant account is unavailable for subsequent expenditure pending adjudication;

means for debiting the program sponsor group account in an amount equal to a summation of debits posted to the plurality of participant accounts;

means for paying the service provider for services provided to the participant;

means for reviewing the debit to the participant account for adjudication, wherein upon a finding of propriety, the debit is posted to the participant account and the amount available for expenditure in the participant account is adjusted accordingly; and

means for reviewing the debit to the participant account for adjudication, wherein upon a finding of impropriety the amount available for expenditure in the participant account is adjusted accordingly and the debit previously posted to the program sponsor group account is restored.

33. (new) The system of claim 32, wherein the debit is posted during or after initiation of the transaction.